

RESPONSIBLE INVESTMENT POLICY

This document sets out Magnum’s approach to investing responsibly and the stewardship policies of its portfolio companies in the management of environmental, social and governance (ESG) issues. It includes the principles to which Magnum aspires and the procedures it has implemented to integrate these principles into its activities.

This Responsible Investment Policy covers all Magnum funds, existing portfolio companies as well as new acquisitions, all investment activities across the investment cycle, and Magnum’s operations. All Magnum team members are required to adhere to the Responsible Investment Policy which is subject to review and update as deemed necessary.

This Responsible Investment Policy was latest reviewed and approved by Magnum in November 2022.

1. GUIDING PRINCIPLES

Magnum invests with active incorporation of a long-term value creation model that identifies the environmental, social and governance (ESG) implications of its investments, **fully-cognizant of its social responsibility**.

The firm is aware of the impact that its investment decisions may have on people and the planet, and dedicates the human and financial resources necessary to act responsibly, applying the **highest ethical and business standards**. Magnum strongly believes that companies that are successful in avoiding ESG risks while capturing ESG opportunities will outperform over the longer term by creating resilient business models.

Magnum has been a signatory of the **Principles for Responsible Investment (PRI)** since 2014. It is committed to implementing its six Principles and to aligning its investment management and advisory activities with the interests of wider stakeholders.

As a further example of adherence to international codes and standards, Magnum is committed and aligned to the achievement of the **UN Sustainable Development Goals** by 2030 to help address major global challenges. Magnum embraces the European Green Deal, EU Environmental and Social Taxonomies and EU SFDR legislation, which embody societal and regulatory expectations of responsible investment practices.

The entire organization is committed to complying with the best practices of the ILPA guidelines on effective private equity partnership: **alignment of interest, governance and transparency**. As a supporter of the TCFD, Magnum commits to approving a roadmap that will set out the necessary steps to address the four-pillar framework of the climate-related recommendations (governance, strategy, risk management, and metrics and targets) and implement them, adapting

them to its structure and investment process to manage the climate-related impacts of its investment portfolio responsibly.

2. GOVERNANCE AND ACCOUNTABILITY

The General Partner is responsible for the governance, formal oversight and accountability for this Responsible Investment Policy, as well as all supplementary ESG policies and processes.

The General Partner will review and, where necessary, update the Responsible Investment Policy to reflect on-going efforts to improve its responsible investment approach, as well as emerging requirements from stakeholders and evolving good practices. The General Partner will also manage all conflicts of interest related to responsible investment, including evaluation of offers at exit.

Its Executive Team is responsible for analysing and eventually proposing potential investments. The findings of the various pre-acquisition due diligence analyses are presented to the Executive Team and the General Partner, who evaluate the investment based on multiple criteria, including the results of the ESG due diligence. In this respect, it is ensured that ESG criteria are fully integrated into every step of the decision-making process.

The Investment Team follows Magnum's portfolio and analyses all potential investments. Members of the Investment Team present the findings of their analysis to the Executive Team and the General Partner. The Investment Team is also in charge of the definition and oversight of ESG strategic goals at portfolio company level.

An ESG Committee is comprised of Magnum's ESG co-heads who are responsible to ensure that ESG factors are integrated in Magnum's DNA. The ESG Committee expresses its views on the ESG considerations of each potential investment to the rest of the team.

Additional accountability through external ESG reporting related to responsible investment by Magnum toward its investors and stakeholders is achieved through the annual UNPRI Transparency Report, publication of an annual ESG Report which is publicly available on its website, at the Annual General Meeting for LPs, as well as through individual responses to investor inquiries and questionnaires.

Magnum's approach to ESG reporting, disseminated through these different communications channels, is **tailored specifically to each audience**. Reporting includes management discussion of current and future strategic ESG positioning and analysis, and KPIs demonstrating progress and objectives both at the portfolio level and for individual portfolio holdings to share **standardized metrics related to sustainability outcomes**, following the emerging guidance of the **International Sustainability Standards Board on climate-related disclosures** and other disclosure topics. This Responsible Investment Policy and our annual ESG Report are **publicly available** on the Magnum website.

3. STEWARDSHIP — RESPONSIBLE INVESTMENT COMMITMENTS

Magnum’s approach and formal stewardship guidelines regarding identification and management of key objectives and environmental, social or governance factors in its portfolio companies are described in this section.

Magnum has a **binding investment exclusion list**, prohibiting investment in several sectors and based on its investment values and beliefs. This exclusions list is a contractual obligation, as stated in the Fund Investment Restrictions section of the Magnum Capital III Offering Memorandum. These exclusions include, but are not limited to, companies whose main business activity is military weapons and armaments with the exception of defense activities, companies who repeatedly violate laws or regulations, hostile take-over bids, gambling, gaming or casinos, illegal activities, tobacco, human cloning, genetically-modified organisms, distilled alcoholic beverages, pornography, and illegal exploitation of vulnerabilities in cyber or data security.

As an investor in the real economy, **Magnum’s stewardship objective is to make positive impact on the sustainability outcomes of its portfolio companies.** Following is an abbreviated list some priority ESG factors.

- **Environmental issues** include pollution of land, air and water and related compliance; eco-efficiency; waste management; natural resource scarcity and biodiversity; and climate change. Environmental challenges also present opportunities for value creation, for example, generation of incremental revenue from new technologies, products and markets.
- **Social issues** encompass the health and safety, labour conditions and human rights of employees and those in supply chains; and treating customers and communities fairly. Value creation opportunities might include improving productivity, increasing brand and employee loyalty or product integrity. Profit sharing schemes are encouraged.
- **Governance** in this context is generally held to encompass the governance of environmental and social issues management, cybersecurity, anti-bribery and corruption measures, business ethics, overall compliance, and transparency. Initiatives implemented might avoid negative financial impacts and reduce reputational risk.

Companies that **actively manage for improved sustainability outcomes** can achieve a better growth, cost savings and profitability, while strengthening stakeholder relations, along with their brand, reputation and social license to operate. All portfolio holdings are managed with an **ESG action plan and annual targets** for management of these sustainability factors, **with special focus on industry-specific, financially-material sustainability factors as identified by the SASB sustainability reporting standards**, as well as any other issues highlighted by third-party experts during the pre-acquisition ESG due diligence report, as described in more detail below.

Magnum’s **structural approach** to including ESG risks and opportunities into the investment analysis and decision-making processes, with a positive selection and integration of ESG risks into

traditional financial analysis, portfolio monitoring and fully considering ESG issues across the investment cycle, is as follows:

- **Pre-investment evaluation.** Magnum's **ESG due diligence requirements** must be met for investment approval. ESG evaluation is an integral element of the investment decision process to allow the identification of the environmental and/or social sustainability characteristics of a potential investment, along with its associated sustainability-related risks and opportunities, and any potential adverse impacts. Magnum considers these as additional and integral components of the full investment assessment.

Magnum engages specialist, **third-party ESG due diligence advisors** who are tasked with identifying the **industry-specific, financially-material sustainability factors** related to the investment, including physical, transition, and regulatory climate risks, EU Taxonomy eligibility, EU Sustainable Finance Disclosure Regulation (SFDR) positioning and SDG alignment. Minimum ESG due diligence requirements include:

- ⊗ Health and safety, labour conditions, social dialogue and human rights of employees and those in supply chains; and
- ⊗ Anti-bribery and corruption measures, business ethics, responsible political engagement, overall compliance and transparency and cybersecurity.

Advisors also carry out an **environmental technical due diligence to identify any contingent risks and regulatory issues** to manage where appropriate.

ESG Due Diligence Reports are considered by the General Partner and Executive Team and remedial actions are proposed.

- **100-days plan, post investment.** **Investment stewardship through active ownership** begins the moment control is taken. ESG opportunities and risks identified during the due diligence process are considered for inclusion within the 100-days post-acquisition plan. These plans establish **strategic objectives for sustainability outcomes**, action plans and targets, and enhance corporate governance. Internal control processes for **measuring, monitoring and managing ESG KPI's against annual performance targets** are set. These are **industry-specific, sustainability factors** identified by the Sustainability Accounting Standards Board in each portfolio company.

Specific climate, social and governance action plans are **tailored to sector and geography**, bringing focus to the **unique risk profiles in each sector and geographical location**. **Specifically, climate risks (physical, transition and regulatory) and opportunities are managed** through adaptation or mitigation measures.

- **Portfolio management.** Throughout the holding period, **investment stewardship continues with active engagement** of Magnum members on **ESG performance on sustainability impacts and outcomes, issues and targets**, including risks, opportunities and incidents, **as identified from the outset during the pre-investment evaluation**. **Ensuring thorough compliance with SFDR regulatory reporting requirements for**

data collection related to portfolio performance on the sustainability characteristics of the investments is a key ongoing objective of the investment team. Further, Magnum monitors these on an ongoing basis, and implements remedial actions where required. The SASB KPIs, rooted in financial materiality, are implemented for baseline measurement, ongoing monitoring and active management to drive performance toward achievement of these top and bottom-line objectives for consolidating opportunities and effective risk mitigation. **ESG incident management** is a key governance consideration and an internal incident register is maintained. Where appropriate, **sustainability-linked financing** is arranged, adding additional incentives and aligning interests through **engagement with financial stakeholders** on sustainability factors.

- **Exit.** Performance on an appropriate ESG policy during the holding period of the investment maximizes financial valuation at exit, as it facilitates access to the widest possible buyer universe. Magnum **evaluates the responsible investment thesis of potential buyers** along with financial and other considerations when making exit decisions. **ESG Vendor Due Diligence with consideration of stakeholder preferences** is conducted where appropriate.

4. MAGNUM RESPONSIBLE OPERATING COMMITMENTS

Magnum strives to embed effective ESG practices in its own operations as well as in its investment activities. Processes are in place for the purpose of **ensuring ethical behavior in all activities** and **team engagement is a priority**. All Magnum personnel receive **training** on both Magnum's ESG policy and Code of Ethics. Employees are required to acknowledge they have received, read, understood and agree to comply with all internal policies upon joining and annually thereafter.

Annual incentive reviews include an assessment of responsible investment performance in the operations as well as in the investment portfolio, to align incentives with Magnum values.

Every team member is aware of the firm's commitment to responsible investing and is therefore responsible for incorporating these principles to their respective activities, contributing to the development of the organization's ESG approach and stewardship activities. Magnum has built a robust ESG governance structure that allows for the **full integration of ESG factors into investment analysis and decision-making processes** at all levels of the firm.

Magnum actively manages its own environmental footprint through the implementation of measures toward emissions and waste reduction. All members of the team are informed of these environmental initiatives, encouraged to present new proposals and share best practices, as another example of **team engagement**.

Looking outward, Magnum is committed to responsible political engagement by working with industry stakeholders such as SPAINCAP, the Spanish private equity association which represents the sector to the authorities, government institutions, investors, entrepreneurs and media. SPAINCAP regularly communicates with members and stakeholders, providing statistics and

updated information regarding the developments of the tax and legal framework. SPAINCAP also organizes activities for members and the general public in order to disseminate and reinforce the contribution of the Venture Capital & Private Equity industry for the economy and growth of SMEs in Spain.

Magnum also is dedicated to promoting diversity in the workplace to drive superior performance for the firm and its portfolio companies. It strives to **attract, motivate, develop, and retain a diverse talented group** of people within a supportive working environment. To this end and amongst other initiatives, Magnum actively supports Level20, a pan-European not-for-profit association with focus on gender diversity and career success for women in the private equity industry, thus **engaging with the local private equity industry** in advocating for **gender diversity**.

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